



# Budget 2022 Summary

Minister for Finance, Paschal Donohoe, and Minister for Public Expenditure, Michael McGrath delivered the 2022 Budget today, Tuesday 12 October 2021.

As we move towards the long-awaited ending of COVID-19 restrictions, the Ministers provided a relatively upbeat picture of growth for the economy.

Tax cuts were a little higher than signalled meaning all workers & the self-employed will have more money in their pockets next year. Businesses will be very glad to see the extension of the Employment Wage Subsidy Scheme (EWSS) albeit with amended conditions and reduced rates.

You can check out a detailed analysis of what this budget means for small business and the self-employed below.



## SUMMARY

- Personal Tax Credit increased by €50 to €1,700
- Employee Tax Credit/Earned Income Tax Credit also increased by €50 to €1,700
- Amount you can earn before suffering income tax at 40% increased by €1,500 to €36,800
- Employment Wage Subsidy Scheme to be extended beyond December 2021 to 30 April 2022 with reduced rates
- VAT rate on hospitality and tourism sector to remain at 9% until 31 August 2022
- Commercial rates holiday to be extended to end of 2021 with amended conditions meaning not all businesses will qualify
- Amendment of Debt Warehousing Scheme which will benefit company directors
- Working from Home – improved tax relief for utilities and broadband costs incurred by employees working from home
- Corporate tax rate to increase to 15% for companies with annual turnover in excess of €750m from 01 January 2023 at the earliest. 12.5% rate to remain for all other companies.

## BUSINESS SUPPORT PACKAGE

### EMPLOYMENT WAGE SUBSIDY SCHEME (EWSS)

The Employment Wage Subsidy Scheme (EWSS), which was due to expire on 31 December 2021 has been extended for a further 4 months to 30 April 2022 although the rates will be reduced incrementally.

The updated details are as follows:

- current arrangements for EWSS remain in place until 30 November 2021;
- for the three months December 2021 to February 2022 there will be two subsidy rates namely €151.50 and €203 per employee per week;
- for the two months March 2022 and April 2022, a single flat rate of €100 per week will apply;
- the existing reduced rate of Employers' PRSI (0.5%) will continue to apply until the end of February 2022. The full Employers' PRSI contribution will be reintroduced from 1 March 2022 until the scheme ends;
- scheme to conclude on 30 April 2022.

Eligibility for the scheme will continue to be a 30% reduction in turnover/customer orders in the full year 2021 as compared to the full year 2019.

The scheme will close to new employer entrants with effect from 1 January 2022.

### COVID-19 RESTRICTIONS SUPPORT SCHEME (CRSS)

Given that the economy is in the process of fully reopening, with final restrictions being removed on 22 October, there was no announcement of an extension to the CRSS and this will cease from 31 December 2021.

### COMMERCIAL RATES HOLIDAY EXTENDED

The Commercial Rates Holiday has been extended through to the final quarter of 2021. This only applies, however, if you are in the hospitality, arts or tourism related sectors. The normal rates system will apply for all other businesses from 01 October 2021.

### VAT REDUCTION FOR TOURISM/ HOSPITALITY SECTOR

The reduced 9% rate of VAT applying to the hospitality and tourism sector, which was due to expire on 31 December 2021, has been extended up to 31 August 2022.

## INCOME TAX

### TAX CREDITS AND RATE BANDS

The Personal Tax Credit will be increased for everybody by €50 to €1,700 from 01 January 2022.

Both the Earned Income Tax Credit and Employee Tax Credit are also being increased by €50 to €1,700 for 2022

In addition to this there will be a €1,500 increase in the amount you can earn at 20% before moving to the higher rate of 40%. For 2022 the new 20% cut off point will be €36,800.

Check out our website for examples of what this will mean in your pocket.

### DEBT WAREHOUSING

The tax debt warehousing scheme is to be expanded to allow directors who own their own companies to warehouse income tax liabilities relating to the salary taken from their company.

### WORKING FROM HOME – IMPROVED TAX RELIEF

The current e working tax reliefs for employees will be enhanced so that a tax deduction amounting to 30% of the cost of vouched expenses for heat, electricity and broadband in respect of those days spent working from home can be offset against their tax bill.

## CORPORATE TAX

Having been the cornerstone of Irish foreign direct investment policy, the 12.5% corporate tax rate will be increased to 15% from 01 January 2023 at the earliest, for any companies with annual turnover in excess of €750m.

**There is a commitment to keep the 12.5% rate intact for the SME sector.**

### TAX CREDIT FOR DIGITAL GAMES

This new relief will support digital games development companies by providing a refundable corporation tax credit for expenditure incurred on the design, production and testing of a digital game.

The relief will be available at a rate of 32% on eligible expenditure of up to a maximum limit of €25 million per project.

### START-UP RELIEF

Since 2008 there has been a relief from corporation tax for start-up companies in their first three years of trading. The relief is granted by reducing the corporation tax payable on the profits of the new trade and gains on the disposal of any assets used for the purposes of the new trade. The amount of relief available is directly linked to the amount of Employers' PRSI paid.

The relief will be extended for a period of five years until 31 December 2026.

The relief will also be amended such that start-up companies will be able to avail of the relief for up to five years, in place of the current three years.

## EMPLOYERS

### EMPLOYMENT INVESTMENT INCENTIVE (EII)

The EII scheme is a tax relief which allows investors to claim tax relief on their equity investments in qualifying companies.

Budget 2022 announced the extension of this scheme to 31 December 2024 with further modifications being announced including:

- allowing a wider range of investment funds to qualify for the relief
- relaxing the rules around investors redeeming their capital
- removing the rule that states 30% of an investment must be spent before relief can be claimed

### MINIMUM WAGE INCREASE

In line with the recommendation from the low pay commission the statutory minimum wage will increase by 30 cents to €10.50 per hour from 01 January 2022.

## PROPERTY

### LANDLORDS - PRE-LETTING EXPENSES

In general pre letting expenses incurred by a landlord before the first tenant occupies the property are not allowed as a deduction against their tax bill.

Finance Act 2017 introduced a relief which allowed tax relief on a maximum of €5,000 of pre letting expenses incurred in respect of properties which had been vacant for 12 months prior to the first letting.

This relief, which had been due to expire at the end of 2021, has been extended for a further 3 years to the end of 2024.

## CLIMATE CHANGE

### EXTENSION OF BIK EXEMPTION FOR ELECTRIC VEHICLES

The BIK exemption for battery electric vehicles will be extended out to 2025 with a tapering effect on the vehicle value.

This measure will take effect from 2023.

For BIK purposes, the original market value of an electric vehicle will be reduced by:

- €35,000 for 2023;
- €20,000 for 2024; and
- €10,000 for 2025

### ACCELERATED CAPITAL ALLOWANCE (ACA) SCHEME

The ACA scheme for energy efficient equipment is designed to encourage improved energy efficiency among Irish companies, sole traders and partnerships by allowing them deduct the full cost of expenditure on highly energy efficient equipment from taxable profits in the year of purchase rather than spreading the cost over 8 years.

This scheme is being amended to prohibit equipment directly operated by fossil fuels from qualifying for accelerated capital allowances.

The ACA scheme for Gas Vehicle and Refuelling Equipment is being extended out to 31 December 2024. It is also being expanded to encompass hydrogen powered vehicles and refuelling equipment.

## FARMING

### VAT FLAT RATE ADDITION

Farmers who are not VAT registered are compensated for the VAT they are charged on purchases by means of a flat rate addition to the prices they receive from VAT registered customers for their products, cattle, milk, grain, etc.

The Flat Rate Addition is being decreased from 5.6% to 5.5% from 01 January 2022.

### STOCK RELIEF

Stock Relief is being extended for a further three years to 2024. This provides for stock relief at a rate of 25% of the amount by which the value of farm trading stock at the end of an accounting period exceeds the value of farm trading stock at the beginning of the accounting period.

Enhanced stock relief at a rate of 100% for young, trained farmers; and at the rate of 50% for farmers who are partners in registered farm partnerships are being extended for a further year to 2022.

### EXTENSION OF YOUNG TRAINED FARMER (STAMP DUTY) RELIEF

This measure extends the full relief from stamp duty on the conveyance of farmland available (which would normally be charged at 7.5%) to eligible young (i.e. not yet 35 years old) trained farmers, to the end of 2022.

## SUMMARY OF RATES

### Income Tax

	2022	2021
Top rate of tax	40%	40%
Higher rate entry point (single person)	€36,800	€35,300

### USC:

Income of €13,000 or less is exempt, otherwise:

0.5% rate band (no change)	€12,012	€12,012
2% rate band (no change)	on the next €9,283	on the next €8,675
4.5% rate band (no change)	on the next €48,749	on the next €49,357
8% rate band (on excess over €70,044)	income > €70,044	income > €70,044
11% rate band (self-employed +€100k)	income > €100,000	income > €100,000

### Tax Credits:

Personal Tax Credit	€1,700	€1,650
Employee Tax Credit	€1,700	€1,650
Earned Income Tax Credit	€1,700	€1,650

We hope you've enjoyed our breakdown of the Budget 2022 announcements and found this summary useful. Our teams are on hand to help. Please speak to us if you'd like to discuss how the latest announcements will impact your small business.

